

Private Lands Fees Proposal

The Cooperative Forest Management (CFM) section administers the Classified Forest & Wildlands Program and provides management guidance to private woodland owners. Public demand for CFM services, such as Classified Forest & Wildlands Program enrollment and management-plan requests in particular, have increased significantly due to property tax changes. Below is the amount of private landowner assistance the Division provided in 2015. These numbers are typical of our activities every year. The exception is the larger-than-normal enrollment in the classification program, which typically averages around 20,000 acres annually.

- Enrollments in the Classified Forest & Wildlands Program: 650 tracts totaling 35,203 acres
- Withdrawals from the Classified Forest & Wildlands Program: 34 tracts totaling 1,160 acres
- Re-inspections of Classified Forest & Wildland tracts: 2,453 tracts totaling 128,541 acres
- Forest Stewardship Council harvest consultations, including pre-harvest, active harvest, and post-harvest conferences: 533
- Technical assists: 3,686 technical assists to landowners, local governments or conservation partners totaling 170,814 acres
- Referrals to private professional foresters: 1,864 referrals
- Incidental assists (email, phone calls, etc.): 5,065 assists.

The Division of Forestry has met the increased demand without increasing staff for our services through better use of foresters' time, consolidation of offices, increasing efficiencies and the outright dedication of our foresters. Over the years we have reduced some services. These include limiting support to woodlands less than 10 acres; yard, tree and insect issues; and increased the time between re-inspections from 5 to 7 years.

The CFM section is funded through state general funds (taxpayer dollars) and federal grants. Currently IC 14-23-1-1 states that the Division of Forestry should charge for services provided to private forest owners. In 2015, the Division began to explore carrying out that mandate and developed a private-lands fee proposal. To get feedback on the fee proposal, the Division has reached out to various private woodland owner groups, private-sector forest products industries, consultant foresters, and other organized groups, as well as through the strategic planning process. Landowners, please consider the fee proposal and provide constructive comments.

Background:

Law: Indiana law directs the Division of Forestry to charge landowners for services related to forest management. IC 14-23-1-1 has been in place since 1919.

IC 14-23-1-1

Duties of Department

Sec. 1. The department shall do the following:

(12) Examine private forest land:

(A) upon the request of; and

(B) at the expense of; the owner for the purposes of advising the owner on the proper methods of forest management.

Budget: The CFM section is currently funded through state general funds (taxpayer dollars) and federal grants. State and federal funding has not kept pace with inflation or the increased workload. The Division of Forestry's CFM section's budget is \$2.1 million (81% salaries/fringe; 11% supplies & technology).

Approved Fee: In spring 2015 the Natural Resources Commission (NRC), an independent board that addresses issues related to the Department of Natural Resources, approved a maximum rate of \$10/acre fee for services provided to private forestland. The Division of Forestry requested time to further consider fee options and then return to the NRC with a new proposal.

Classified Forest & Wildlands Program: The Classified Forest & Wildlands Program provides a property tax break for enrolled landowners managing their property for timber, wildlife habitat and water quality (See Table 1). Land enrolled in the program cannot have buildings, be grazed or used to grow crops other than forest products. Currently there are over 780,000 acres enrolled in the program. The average tract size is 50 acres.

Table 1. Comparison of Taxes Due on 50 Acre Forested Parcel (1.5% Tax Rate)

Residential	Agricultural Woodland	Classified Forest & Wildland
\$2,250.00	\$276.75	\$9.97
Based on \$3,000/acre assessed value	Based on agricultural base of \$2.050, and a moderate soil (0.9 soil productivity factor)	Based on \$13.29/acre assessed value

Fee Proposal:

After reviewing recommendations and discussions from stakeholders over a 6 month period, the Division prepared a draft fee proposal, all the while understanding that this proposal was a compromise position from all the comments. The consensus of opinion from the majority of commenters was to not implement a fee for any private landowner assistance. This was not unexpected since those who are opposed would be the most vocal.

Part 1: Lands enrolled in the Classified Forest and Wildlands Program

- Annual administration fee of \$2/enrolled acre
- Fee to be collected by county and forwarded to state. County receives 10% for collection.
- Stewardship plans, practice plans, property visits, marking of Timber Stand Improvement (up to 10 acres per year) are included in the administration fee.

The Classified Forest & Wildlands Program will still provide landowners a property tax saving if an annual administration fee is implemented. The amount of the savings depends on how the land would be assessed if it was not enrolled in the Classified Forest & Wildlands Program. Woodlands that are actively managed for timber would likely be assessed as agricultural woodland. Property not managed for timber and not part of a larger farm should be assessed as excess residential. Hunting, hiking, wildlife viewing, other recreational activities, and land preservation are considered residential uses. Table 2 provides the property tax savings base on land assessment type and administrative fee level.

**Table 2. Classified Forest & Wildlands Program Property Tax Savings*
at Various Classified Fee Levels**

	\$1/Acre Fee	\$1.5/Acre Fee	\$2/Acre Fee
Agricultural Woodland - poorest soil (\$2,050 Ag Base; 0.5 Soil Productivity Factor)	\$1.88	\$1.38	\$0.88
Agricultural Woodland - moderate soil (\$2,050 Ag Base; 0.9 Soil Productivity Factor)	\$4.34	\$3.84	\$3.34
Agricultural Woodland - best soil (\$2,050 Ag Base; 1.28 Soil Productivity Factor)	\$6.67	\$6.17	\$5.67
Agricultural Non-tillable (\$2,050 Ag Base; 1.0 Soil Productivity Factor; 60% Influence Factor)	\$11.10	\$10.60	\$10.10
Agricultural Water/Wetland (\$2,050 Ag Base; 0.5 Soil Productivity Factor; 40% Influence Factor)	\$8.03	\$7.53	\$7.03
Excess Residential (\$5,000)	\$73.80	\$73.30	\$72.80
* Tax savings determine by taking the tax due at alternative assessment (agricultural or excess residential) and subtracting the taxes paid for classified land and the annual administration fee. Assumed tax rate is 1.5%. \$13.29/acre assessed value used for Classified Forest & Wildlands.			

Many owners enter the program with the sole purpose of reducing taxation. The Division's goal is also to provide professional management recommendations and direction for the best management of the property. Our hope is that that professional help does have value, much the same as professional medical, accounting, investing and tax recommendations. Beyond the pure monetary gain, the Division also provides ecological recommendations for the management and sustainability of the land for numerous wildlife and rare and sensitive flora.

Part 2: Lands not enrolled in the Classified Forest & Wildlands Program

Fees for services provided by District Foresters:

- Stewardship Plan: \$200
- Revision of Existing Stewardship Plan for Cost Share (non- CRP only): \$100
- Practice Plans for Invasive Species, Tree Planting (CRP plans not included): \$100
- Timber Stand Improvement (TSI) Marking: \$100 for up to 5 acres; \$200 up to 10 acres (maximum 10 acres per year per landowner)
- District Forester First Visit to Property: Free

Opportunities to Comment on Fee Proposal:

Clearly the Division is at a critical juncture. If we are to continue to provide the quality and timely service Hoosier woodland owners expect and adhere to the state law, we must consider the above fee proposal. We always welcome serious and thoughtful comments, all the while understanding that changing a program that has operated one way for so many years will bring some discomfort for some.

The Division of Forestry will continue working with landowners and interest groups through November 30, 2016 to come up with a final fee proposal. Comments can be submitted online at <http://www.in.gov/dnr/forestry/2856.htm>. Please put **Private Lands Fees** in the subject box.